

HOME EDITION

...NEWS FROM YOUR REALTOR®



You, Your Home, and Loan Fraud

BY STELLA H. LING, ESQ.

RESOURCES:

- United States Department of Housing and Urban Development (www.hud.gov/buying/index.cfm).
- Federal Bureau of Investigation (www.fbi.gov/page2/dec05/mortgagefraud121405.htm).

RED FLAGS:

Be especially wary when someone:

- Encourages you to make false statements.
- Tells you something that seems too good to be true.
- Tells you something that doesn't pan out later.
- Uses high-pressure sales tactics.
- Gives you dubious answers to your questions.
- Doesn't come highly recommended.
- Isn't properly licensed, or his or her credentials don't check out.
- Fails to give you copies of documents, especially those you sign.

The best approach for avoiding mortgage fraud can be described in two words: Get tough. Being easy-going may work in social settings, but it's all wrong for getting a mortgage. Yet many people are lackadaisical because they don't understand real estate financing and they don't think they can learn. But guess what? That's exactly the mind-set the scam artists are looking for.

Be Warned: You'll get tough and out of that lackadaisical mind-set once you realize what's at stake. Not only is a mortgage one of the biggest investments of your life, but being a victim of mortgage fraud can be your biggest nightmare. Good people have lost their credit standing, their life savings, and their homes. Legal remedies usually leave a lot to be desired. Criminal prosecutors are often too busy fighting other battles to pursue mortgage defrauders. In the civil arena, major hurdles to pursuing a lawsuit include locating the defrauder's whereabouts, having adequate proof of fraud, and paying attorneys' fees. Even if you overcome those hurdles, you won't collect a dime on any judgment you win if the money is simply gone. So it's no wonder the mortgage fraud business is thriving. According to the FBI, mortgage fraud is one of the fastest growing white

collar crimes in the United States.

Be Informed: Learn what you can about obtaining a mortgage and avoiding mortgage fraud. Read up on these topics, take a homeownership class, and talk to people who understand the loan process, including your trusted REALTOR®. The more you understand, the less likely someone can dupe you. Compare loan programs. Seek out a reputable lender, appraiser, and other professionals. Review documents carefully no matter how complicated they seem. Don't sign anything you don't understand.

Be Honest: Tell the truth throughout the loan process. A willingness to lie acts as a beacon to scam artists. Don't overstate your income, lie about your down payment, sign blank forms, or make secret agreements with anyone. To knowingly make a false statement to influence a federally insured lender is a crime punishable by 30 years imprisonment plus a \$1 million fine. ♦

Stella H. Ling, Esq., is senior counsel for the CALIFORNIA ASSOCIATION OF REALTORS®.

For reprints, please send an e-mail to tonyv@car.org.